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22 January 1974

DCI BRIEFING FOR
SENATE ARMED SERVICES COMMITTEE
10:00 A.M. 24 January 1974
Room 212, Old Senate Office Building

C O N T E N T S

The Soviet Union and Detente

Soviet Strategic Forces

- ICBM Test Programs
- New Silo Programs
- Ballistic Missile Submarines
- Antisubmarine Warfare
- ABM Defenses
- SALT and MBFR Verification

Soviet Defense Expenditures

China

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The Military Situation in the Middle East

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A Glance At Latin America

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18 January 1974

DCI CONGRESSIONAL BRIEFING

THE SOVIET UNION AND DETENTE

I. Mr. Chairman, before discussing Soviet strategic weapons, I would like to say a few words about the Soviet foreign policy developments we have come to call detente. The Russians are still holding to this policy, which is increasingly identified with General Secretary Brezhnev.

When we speak of their policy of detente, however, a careful definition is in order.

A. Detente does not mean a change of heart. Nor does it mean that Moscow has abandoned its basic objectives.

1. We see continuity most clearly in the strategic field, as will become evident when I discuss weapons development.

B. Detente does mean that the Soviets have made a reassessment of their situation, sorted out their priorities more carefully, and adjusted their behavior accordingly.

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II. This reassessment has highlighted two basic facts for them.

A. One is the fact that they are not closing the technological gap. They have now acknowledged to themselves that, if they are to begin closing it, they need to import and absorb large amounts of Western technology.

1. They are trying to do this in a number of ways. One is normal trade. Another is the project method, in which a Western firm contracts to build and bring into operation an entire plant. A third is the exchange of technological data with individual Western companies.

2. As one measure of this effort, Soviet orders for Western machinery and equipment hit \$2.5 billion last year--a 60 percent increase over 1972. The US is a major recipient of such orders, but we by no means monopolize the field. Only some \$435 million of that \$2.5 billion was placed with American firms.

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- B. The second basic fact is that Moscow sees China as holding a single-minded hostility toward the USSR.
1. Peking has rebuffed all Soviet overtures for an improvement of Sino-Soviet relations, and the border negotiations remain at square one.
 2. China devotes the energies of its new diplomacy to countering Soviet policy in every area of international politics.
 3. Moscow realizes that this attitude is not just a peculiarity of Mao's personality, which will disappear when he does.

III. Both the economic factor and the Chinese factor are thus fairly long-term ones, and both work in the same direction on Soviet foreign policy.

- A. Obviously, normal and amicable relations with the West are necessary if the Soviets are to promote their economic objectives. Major confrontations over Berlin, or Cuba, or the Middle East would undermine the chances for technological gain.

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B. Tense relations with the West would also expose the USSR to the risk of pressure on two fronts: Western and Eastern. So long as China remains actively hostile, the Soviets have a strong interest in keeping relations with the West on an even keel.

1. In particular, they want to give as little encouragement as possible to cooperation between China and the US--which appears to them as collusion against the Soviet Union.

C. There are positive political incentives as well. Detente provides a useful climate for the extension of Soviet influence in Western Europe. It also promotes the concept of Soviet equality with the US and Moscow's claim of its right to be involved in all international questions.

IV. These current priorities have some impact on relations with the US. Moscow is no longer so active and automatic in opposing US policy in every corner of the globe.

A. This has helped, for example, to get a Vietnam settlement and to bring about negotiations

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in the Middle East. It has not, of course, solved major problems in either area, nor do the Soviets intend to do that.

B. Brezhnev's personal prestige is committed to detente. Last year he made his biggest gains with his trips to Bonn and Washington.

1. All Brezhnev's politburo colleagues now acknowledge his preeminent position but he is aware he cannot get too far ahead of them, and must show some fruits of detente.

2. Coping with Solzhentsyn and other dissidents poses a continuing dilemma of how to square the needs of domestic discipline with foreign policy considerations.

C. Record grain production led the economy to a comeback from a dismal 1972 showing, but Moscow's goal of overtaking the US remains as distant as ever. The USSR still produces only about half as much as the US with a labor force 50 percent larger.

V. Logically, detente should also lead to a further easing of the arms race. But this has not happened

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yet. The Soviet strategic programs which I shall describe do not violate the SALT agreements, but they represent a powerful competitive thrust in the areas not covered by those agreements, mainly in the area of qualitative improvement.

- A. Thus far, Moscow seems to believe that it can proceed on a vigorous program of weapons modernization while simultaneously getting the political and economic benefits of detente.
- B. The Russians will probably hold to this course unless they are persuaded of two things:
 - that if they try to push past a relationship strategic equality, they will provoke US reactions which will deny them any strategic gain and perhaps even worsen their position; and
 - that Soviet restraint would be reciprocated on terms that would give the USSR both the image and the substance of equality.

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21 January 1974

DCI CONGRESSIONAL BRIEFING

SOVIET DEFENSE EXPENDITURES

- I. I would like to conclude this overview of the Soviet military effort with a brief discussion of a subject that this committee is familiar with--the costs of military programs. Our evidence indicates that the Soviet leaders, too, pay close attention to their defense spending. They apparently believe, however, that their economy is capable of sustaining or even accelerating the pace of defense spending.
- A. Our calculations of the absolute values of Soviet defense costs contain uncertainties, but we can depict overall trends in defense spending with some confidence. Since 1960, the trend has been generally upward, increasing at an average annual rate of about 3 percent.
 1. For the last few years, however, ruble spending has remained at essentially the same level, reflecting the fact that the

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USSR is between major strategic procurement cycles.

- a. Procurement of weapon systems developed in the 1960s, and now deployed, was largely completed by the end of 1970, and procurement of the strategic systems now under development has not yet begun.
2. The USSR recently announced that defense spending would decline by about one percent in 1974. We regard this announced cut as largely a political gesture, rather than an indicator of actual spending.
3. Our estimates of Soviet spending for 1974--which are based on observed and projected changes in military and space programs and forces--show a slight increase in total defense outlays.
4. Moreover, we expect to see--if not a spending splurge--at least a substantial upswing in Soviet expenditures for procurement in 1975 and 1976. By then, production of the new strategic systems now under development should begin.

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5. The share of total defense funds allocated to military R&D and space has grown steadily over the last five years. In fact, outlays for these purposes have been the fastest rising element of defense spending and now account for about one-third of the total. We expect growth in military R&D to moderate over the next few years, however, as the USSR begins procurement of new strategic systems.
6. As for manpower, the Soviets devote less than 40 percent of their defense spending to this purpose--as opposed to more than 50 percent for the United States. The shares for active duty pay and allowances, however, are much closer. Nevertheless, the Soviets are able to keep 65 percent more men under arms--simply by paying their conscripts much less than we pay our soldiers.

II. We measure the Soviet defense effort in dollars--calculating as if their purchases had been made in the US--in order to compare the magnitude of

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their defense effort with ours. By this calculation, the defense efforts of the two countries are about the same size.

A. From the late 1950s until 1970, the dollar value of US defense outlays exceeded those of the USSR. Since 1970 the Soviet effort, measured in dollars, has exceeded that of the US.

1. This catching up is a result of steady increases in Soviet spending, while US spending--measured in constant prices--has been declining since 1968.

B. In terms of the structure of defense spending measured in dollars, the US and USSR present a similar picture. In 1973, the amount of resources allocated to procurement was about the same. The dollar value of Soviet spending for operating their forces exceeded US expenditures slightly. We estimate that the dollar value of the Soviet R&D effort also exceeded that of the US in 1973.

1. I would point out, however, that Soviet R&D spending is more difficult for us to

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measure precisely than other defense expenditures because of the fragmentary data available in this area.

- C. While the comparison between the dollar values of Soviet and US spending reflects levels of effort, I want to emphasize that spending is not the sole measure of military capabilities, and does not necessarily result in equal effectiveness of troops or equipment.

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18 January 1974

DCI CONGRESSIONAL BRIEFING

CHINA

I. One can hardly mention the Soviet Union without thinking of China. I would like to bring you up to date on the internal political situation, foreign policy trends, the progress the Chinese are making toward a nuclear deterrent, and chances of hostilities with the Soviet Union.

The Domestic Scene

II. As you know, the Tenth Party Congress took place last August, and it has given us a new basis for assessing the domestic political scene.

A. The congress was the shortest since the Communists gained power in 1949, suggesting that the leadership wanted to avoid a full discussion of many controversial policy issues.

B. The meeting focused on reconstructing the top organs of the party after the disruptions of the Lin Piao affair and the earlier Cultural Revolution.

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1. The congress adopted a revised party constitution, which deleted a specific reference in the previous version to Lin as Mao's designated successor but did not name a new heir.
- C. The new Politburo, like its predecessor, had--until very recently--21 full members and four alternates. It is a mix of moderate officials, radical ideologues, military men and elder statesmen--a coalition of divergent interests that seems roughly balanced between moderates and ultraleftists.
1. All of the active members of the previous Politburo retained their positions, and nine new faces appeared.
 2. Within the last two weeks, one more name has been added. Teng Hsiao-ping, a former secretary-general of the party who was purged during the Cultural Revolution and then rehabilitated last year, regained the seat he used to have on the Politburo.
 - a. His reinstatement is an indication that other rehabilitated party and

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government officials who were victims of the Cultural Revolution will again be given positions of responsibility.

D. Chou En-lai is clearly the number two man in China, but he is only one of five vice chairmen elected at the congress.

1. The others are two military men, an aging radical who is largely inactive, and the rising young official from Shanghai, Wang Hung-wen. Wang is only in his mid-thirties, and was a radical during the Cultural Revolution. His elevation is the leadership's acknowledgement that there must be new blood in the highest councils.

2. This group presumably will serve as a collective leadership when Mao dies, although the revised party constitution did not so stipulate.

III. The army's role in politics has been a controversial issue.

A. Army leaders were thrust into politics simply because the party and civil administrations

were shattered by the Cultural Revolution. As soon as the dust of that phenomenon began to settle, and particularly after the Lin Piao affair, the civilian authorities started to reassert their control over the military.

B. On New Year's Day Peking revealed a massive reshuffle, affecting the commanders of seven of the 11 military regions and the head of the army's General Political Department.

1. The transfers separated the leaders from their provincial power bases in which all but one had concurrently headed the provincial party committee.

C. The reinstatement of Teng Hsiao-ping also is important to this move as he has been assigned, even though a civilian, to the party's Military Commission.

IV. Let me, finally, say a few words about "Confucius."

A. In August 1973 Peking's major propaganda outlets began to feature articles attacking the ancient sage Confucius (around 550 B.C.) and his followers. They were depicted as conservative, tradition-bound forces who were

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successfully opposed at crucial periods of Chinese history by more progressive elements.

1. It is clear that this campaign has direct relevance to what is going on today in China, and that "Confucius" is some actual person. There is much speculation among China specialists--and among the Chinese themselves--about the purpose of the whole affair.
2. Some observers see the campaign as an attempt to reinvigorate the populace with the "revolutionary" spirit so dear to Mao.
3. Another view holds that the campaign is part of a bitter feud between radical and moderate forces in the party's top leadership. The radicals--led by Madame Mao--are said to be attacking Chou En-lai in an effort to protect the leftist policies of the Cultural Revolution.
4. Our analysts see the campaign as the opening round in the succession struggle. They believe Chou En-lai and Madame Mao differ sharply over the conduct of foreign and

domestic policy, and see the campaign as Chou's effort to keep Chinese policy on the moderate course that he was able to set--with Mao's support--after the Cultural Revolution.

5. Madame Mao has limited political power of her own, but is apparently the rallying point for disaffected elements in the power structure, especially those military leaders who are unhappy over their diminishing political power.

B. The campaign is of major political importance, but we do not believe it will escalate into the chaos of another Cultural Revolution.

1. Chou En-lai is in the strongest position of his long political career, and is firmly opposed to excessive measures.

The 75-year-old Chou, however, will not be around indefinitely.

Chinese Foreign Policy

V. In foreign policy, Peking remains on the course mapped out two or three years ago. The main concern of Chou En-lai is to counter Soviet efforts to isolate China.

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- A. One of his and Mao's main weapons is "detente" with the United States.
 - 1. Secretary Kissinger's visit last autumn gave Peking an opportunity to demonstrate the importance it attaches to detente.
 - 2. Mao's long meeting with the Secretary--nearly two hours--set the seal of highest authority on the policy of continuing--and improving--relations with Washington.
- B. The Chinese also seem anxious to forestall any significant improvement of relations between Japan and the Soviet Union.
 - 1. Peking would like to limit possible Soviet-Japanese cooperation in exploiting economic resources in Siberia.
- C. In Indochina, Peking seems to be trying to reduce the potential for friction with the US.
 - 1. It is taking a constructive line in Laos, encouraging the formation of a coalition government.
 - 2. The Chinese--as I shall discuss later--have also begun to scale down their

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military presence in North Laos.

D. US actions and attitudes during the recent Mideast fighting seem to have favorably impressed the Chinese.

1. Behind the scenes, they have urged restraint and caution on the Arabs in political and military matters, as well as on the question of the oil embargo.

E. Peking has been particularly concerned over the possible effects of the embargo on Western Europe. The Chinese do not want to see this area weakened as a counterweight to the Soviet Union.

1. Chinese diplomats continue to caution European governments against Soviet blandishments, and are stressing the importance of NATO in the world balance.

Chinese Strategic Weapons

VI. Turning to the Chinese military establishment, we see that the strategic weapons program which has moved forward, although not forcefully, over the years. Today China is a nuclear power. It can deliver nuclear weapons against targets on

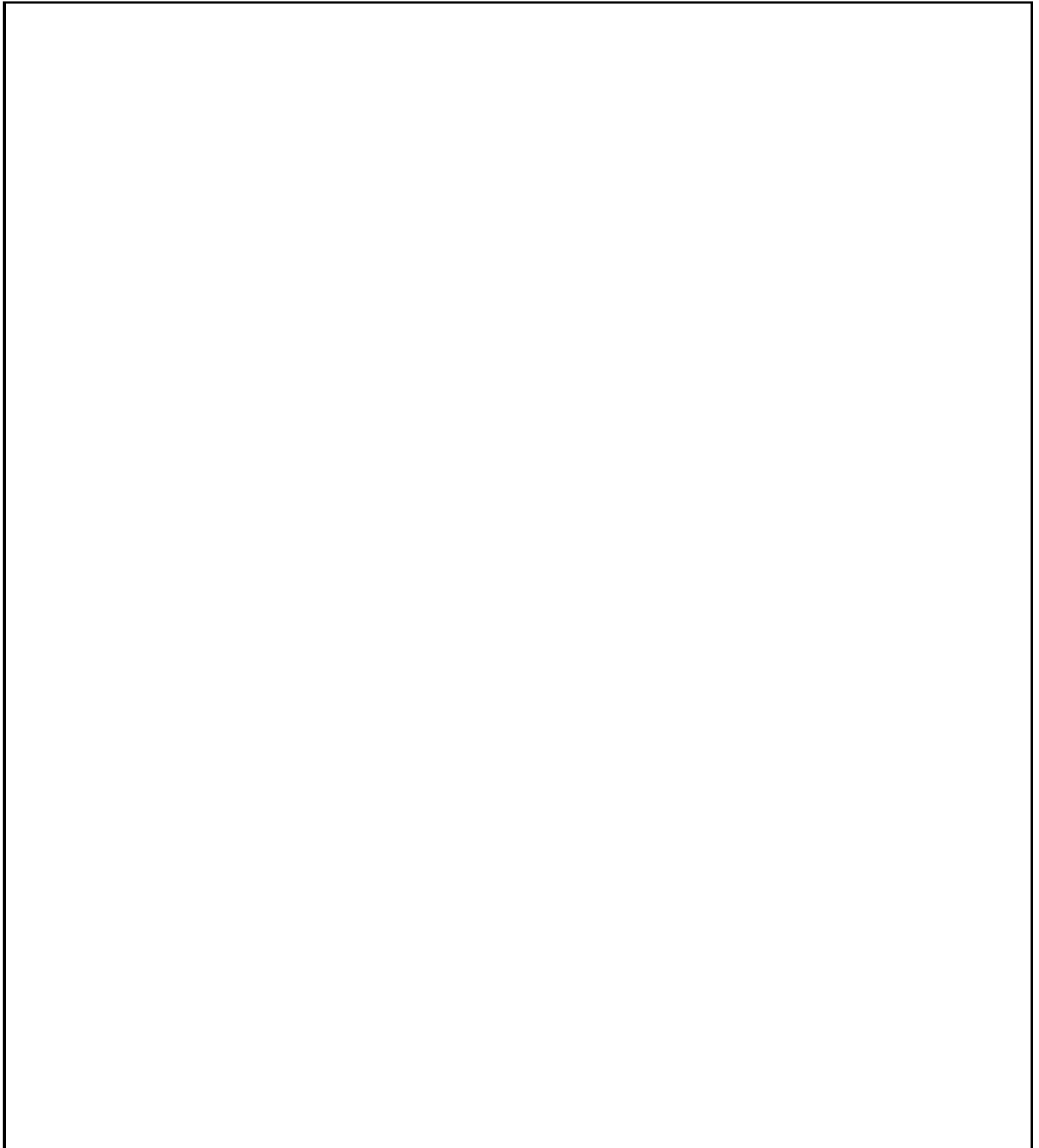
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its periphery--but not to the US mainland--by
both missiles and bombers.

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Will There Be War With Russia?

XI. The question naturally arises as to whether these Chinese weapons programs are increasing the likelihood of war between China and the Soviet Union. Last month Premier Kosygin aptly described Sino-Soviet relations as "frozen," and Moscow makes frequent references to "the Chinese threat." On the other side, there is genuine fear in Peking that the Soviets might spring a surprise attack. In spite of all this, we do not foresee a major military move by either side.

A. Chinese deployments show an awareness of Soviet military superiority, and are focused on defense.

1. Having learned the virtues of restraint from their difficulties along the border in 1969, the Chinese seem likely to resist any temptation to test Moscow's tolerance.

B. From the Soviet side, there are strong mili-

tary and political considerations that would make a premeditated attack unlikely.

1. Moscow has told its people that a disarming nuclear strike against Chinese strategic missile launchers would not be without retaliation.
 2. A land invasion could very well get bogged down.
 3. Politically, a major Soviet move would end any possibility of reconciliation with China, and could jeopardize detente with the US.
- C. On a lower level of combat, however, the Soviets might try to punish and humiliate Chinese border forces patrolling in disputed territory.

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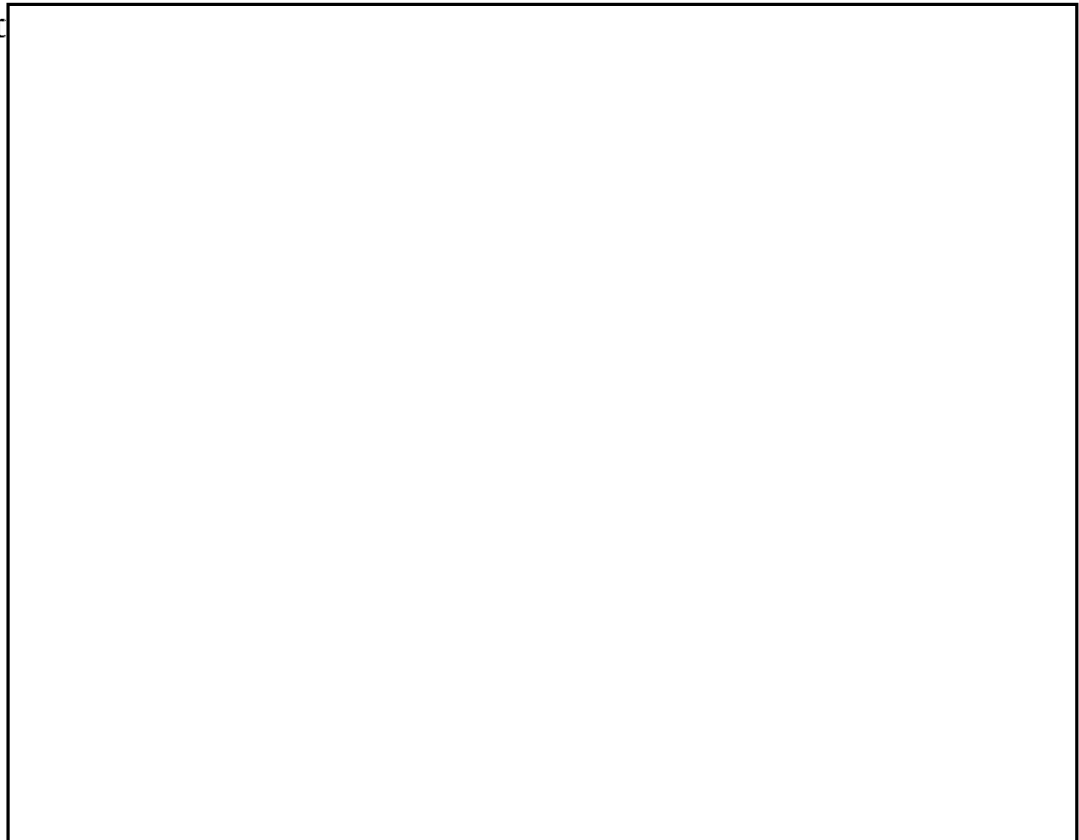
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DCI CONGRESSIONAL BRIEFING

THE MILITARY SITUATION IN THE MIDDLE EAST

I. When the Israeli-Egyptian disengagement agreement was signed last week, the armed forces of both countries were deployed on a war footing. They may well remain in this posture for some time, while preparing for actual disengagement.

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22 January 1974

DCI CONGRESSIONAL BRIEFING

OTHER ARAB STATES

- I. Looking elsewhere in the Middle East, we see that Libya's potentially troublesome. President Qadhafi is isolated as a result of the Arab decision to go to Geneva. Nevertheless, his history of erratic behavior suggests that he will find some way to rock the boat.
 - A. His denunciation of the conduct of the war, the acceptance of the cease-fire, and the disengagement talks, have strained his relations with Egypt.
 1. An open break has been avoided, but the merger is dead. Libyan aid to Egypt and military cooperation has dwindled.
 2. His latest merger proposal--with Tunisia--will probably never get off the ground.
 3. Qadhafi's extreme position has reduced his influence in other Arab capitals.
 - B. Libya, however, has drawn closer to radical fedayeen elements, and may have increased its

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aid to them. Specifically, the Libyans are being linked to the terrorist attack at Rome airport last December.

1. Qadhafi formerly favored terrorism aimed directly at Israel, but now seems to approve of anything that might sabotage a negotiated settlement.

II. Within Libya, Qadhafi's policies are seldom challenged by his colleagues on the ruling Revolutionary Command Council.

- A. President Sadat--once a moderating influence on his neighbor--now appears too occupied to help control Qadhafi's activism.
- B. Even if Qadhafi were replaced, his most logical successor--Prime Minister Jallud--shows signs of being only slightly more manageable.

III. We are also concerned about the Persian Gulf area. Its vast oil reserves make its stability a matter of great importance to the United States.

- A. Saudi Arabia and Iran are relatively stable, and probably will remain so for the next several years. Both countries have made succession arrangements, and their polices probably

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will not change greatly after the present leaders disappear.

B. The picture in the smaller gulf states is mixed.

1. Oman is facing an active rebellion by a group of Marxist guerrillas, who are heavily supported by neighboring Yemen (Aden) and have received arms indirectly from the USSR.
2. The United Arab Emirates--now two years old--looks more viable than many expected. Its seven sheikdoms--pasted together by the British just before their departure--have been in continual rivalry. A recent governmental shakeup, however, holds at least the promise of a more effective central government.
3. Bahrain has recently elected its first parliament, and it has a large leftist contingent. Hence the decision taken during the Middle East war to terminate the agreement by which US naval forces in the area can use the former British

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base is unlikely to be reversed.

- C. Elsewhere on the Arabian Peninsula, the situation between the two Yemens--Sana and Aden--remains troubled, although less so than in the fall of 1972 when war seemed possible.
- D. Countries in the Persian Gulf have taken some hesitant steps toward regional security cooperation, partly in response to our prodding. But the old rivalries and cultural differences die very slowly.
 - 1. The Saudis are suspicious of Iran's intentions on the Arab side of the Gulf, while the smaller Arab states fear that any regional security arrangement would be dominated by Saudi Arabia or Iran, and swallow them up.
- E. The USSR has a growing interest in the Gulf, fanned by Western dependence on oil and possibly by interest in Iraq's shore facilities for Soviet naval forces. Moscow has tried--unsuccessfully--to establish relations with the Saudis or to open diplomatic posts in the lower Gulf States.

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- F. Iraq, however, receives substantial economic aid and is almost entirely dependent on the Soviets for major military hardware.
- G. In addition to their activities in the Persian Gulf, the Soviets keep a modest naval force (usually a destroyer or cruiser, a diesel submarine, and a few minesweepers and auxiliaries) in the Indian Ocean. They demonstrated a capability to increase this presence during the Indo-Pakistani war in 1971, and in the aftermath of the Middle East war last fall.
 - 1. The Soviets have broad cooperation treaties with India and Iraq, and "arrangements" with South Yemen and Somalia. They have built naval support facilities near Berbera, in Somalia.
 - 2. We expect this Soviet naval presence to grow gradually--regardless of whether the Suez Canal is reopened. The Indian Ocean is not a high priority area for the Soviets, however, and how they expand their presence will depend, in large measure, on what the US does. We believe they would make every effort to match a US buildup.

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DCI CONGRESSIONAL BRIEFING

THE OIL SITUATION

- I. You of course noted that in discussing the situation in the Middle East, I made scant reference to the oil problem. Let me now point out some of the ramifications of the Arabs' use of oil as a weapon.
- II. Arab oil production is now up slightly, and there are some prospects for an end of the embargo. Consequently, the high price rather than the supply of oil becomes the most important energy problem facing the United States and the other consuming nations.
 - A. The Persian Gulf producers have raised taxes to about \$7.00 a barrel--up 360% in less than one year.
 1. The other major exporters have also upped taxes.
 - B. This year's world oil bill will increase by \$70 billion, to a total of over \$110 billion at current production levels.
 1. The United States' bill will rise by

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\$16 billion, to \$25 million this year. For Western Europe, the jump will be \$33 billion to \$55 billion, and Japan's price will increase by \$11 billion, to \$18 billion.

2. It will be difficult for consuming countries to provide this purchasing power, and some industrial countries may not meet the challenge.

C. Some lesser developed countries will be extremely hard hit.

1. Oil payments will take 40% of India's export earnings, for example.
2. The oil states have initially turned a deaf ear to pleas from these countries for lower prices, but they may provide some financing aid.

D. While the consumers are shelling out, oil revenues of the OPEC countries will nearly quadruple this year--\$90 billion, compared with about \$25 billion in 1973.

1. The Arab countries alone will receive almost \$50 billion even if their production

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remains at the current level. They may end 1974 with a current account surplus of about \$40 billion--much of which will be deposited in Western banks.

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E. Prices may be lowered later in the year if a world-wide recession appears in the offing.

1. The Shah of Iran was largely responsible for the record price hikes, but it was Saudi acquiescence that made them stick.
2. The Saudis feel the price is much too high and will have disastrous effects on the world economy.
3. The Saudis could eventually force prices down by raising output substantially. Other producers are pleased with present prices and any move to reduce them would be politically unpopular.

F. The economies of the oil importing nations will be severely strained by the massive price increase. Oil importing nations face reduced rates of economic growth and increased unemployment unless expansionary measures are taken.

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1. Governments will be cautious in inflating demand, however, because of the already high inflation and the uncertain impact of the energy supply constraint on productive capacity.
2. Major governments will be hesitant to move forward on reform issues until economic prospects become clearer.
3. Attempts to improve deteriorating trade balances--through import restraints or competitive devaluation--could aggravate international economic tensions.

III. The use of cutbacks in oil production as a political weapon is being undermined by oil company diversions, and is slowly being abandoned.

- A. The world-wide rationing system instituted by the oil companies has greatly reduced the difference between "hostile," "neutral," and "favored" nations.
 1. The Netherlands, theoretically embargoed, has not been hit much harder than other European countries.
 2. The United States is receiving more oil than would be the case if the embargo

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were fully implemented.

3. On the other hand, many favored countries-- particularly Spain and those of Black Africa--have complained that they are not receiving their full share of imports as promised by the Arabs.
- B. There has also been some leakage of Arab oil, but we do not know the exact amounts.
 1. Libya, for example, with no interest in promoting a Middle East settlement, may be allowing some of its oil to reach the United States through Caribbean refineries.
- C. The steady expansion of the Arabs' favored nation list will soon require production increases if all of these nations are to receive the promised amounts of oil.
 1. The list now includes France, the United Kingdom, Belgium, Spain, Japan, Brazil, India, the Philippines, Taiwan, all Moslem nations, and those African states that have broken with Israel.
 2. The Arabs are allowing oil to transit Rotterdam, and may allow the Dutch to refine Arab crude for other countries.

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D. Several Arab leaders have stressed that the oil weapon is a temporary diplomatic maneuver that will be modified as soon as progress is made on Arab-Israeli issues.

1. There are persistent rumors that the Saudis may unilaterally drop the embargo against the United States.

E. If the embargo against the United States and the Netherlands is dropped, those against South Africa, Rhodesia, and Portugal may be maintained as a favor to the Arabs' African supporters.

IV. Moscow, for its part, undoubtedly sees benefits in the Arab oil boycott, but also has some misgivings.

A. The Soviets had virtually no control over the Arab decision to curtail oil flow.

1. Soviet propaganda has hailed the action, however, and encouraged nationalization of more Western holdings.

B. The Russians have welcomed strains in US relations with Europe and Japan caused by the boycott and price increases.

1. They have also pointed to the boycott as another reason for Western firms to help develop Soviet energy resources.

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C. Moscow is concerned, however, that the oil weapon could backfire and harm relations with the US and Europe.

1. The Soviets have testily denied speculation that they are behind the Arab action, and have not been gloating over the problems it has caused in the West.
2. They have kept up their oil deliveries to Western Europe despite Arab cries that they are undercutting the boycott.

V. As for future oil developments, we believe that there is a better than even chance that in 1974:

- Production will exceed the 1973 level.
- A marked slowdown in economic activities worldwide will put substantial pressure on the oil producers to lower prices.
- There is likely to be a new polarization; the oil producers with their enormous new wealth on one side and the consuming world on the other.
- The national scramble for oil will continue as countries seek assured supplies. These countries cannot, however, protect themselves from the impact of high oil prices.

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--Efforts to develop substitutes for imported oil will receive world-wide support.

--Other basic resource producers will be tempted to hold up consumers.

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22 January 1974

DCI CONGRESSIONAL BRIEFING

US - EUROPEAN RELATIONS

- I. Mr. Chairman, I would like to touch on US-European relations. These relations are, of course, a compound of political, security, economic, and monetary concerns--all inter-connected. Our problems with the Europeans will not be sorted out either easily or quickly.
- II. The ambivalence in our current relationship with Europe was illustrated by the sharply differing responses of Europe and the US to the Mid-East conflict. Our differences in this crisis accelerated reassessments of Atlantic solidarity--reassessments which had long been under way.
 - A. Both sides saw new reasons for questioning the adequacy of existing consultation procedures.
 1. The Europeans claimed the US took action that could have endangered their security without consulting them.

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2. The US felt the Europeans did not support measures to counter a Soviet threat to both American and European interests.
 - B. The frequent US-Soviet communications during and after the conflict created further doubt in European minds as to whether the US still gives priority to the Alliance over US-Soviet arrangements.
- III. Nevertheless, the recriminations of last fall have now moderated in the face of widespread desire to keep Alliance relations from deteriorating further.
- A. Soviet actions in the Middle East have reminded the Europeans of the Russian threat--and the basic purpose of NATO.
 - B. The December NATO meetings in Brussels helped to improve the atmosphere.
 1. New procedures for NATO political consultations--although perhaps not exactly what the US has suggested--may result.
 - C. Work on two Atlantic declarations--one to be issued with the European Community and one the result of NATO deliberations--is again proceeding.

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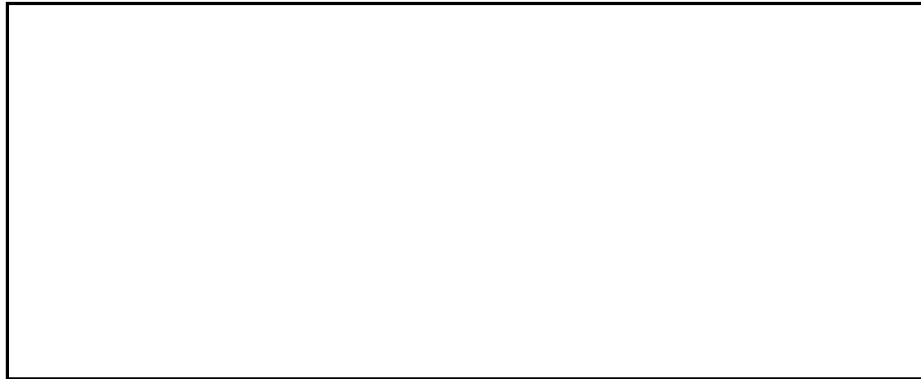
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1. Europeans expect the documents to be ready to sign in conjunction with NATO's 25th anniversary in April--when President Nixon may possibly make a visit.

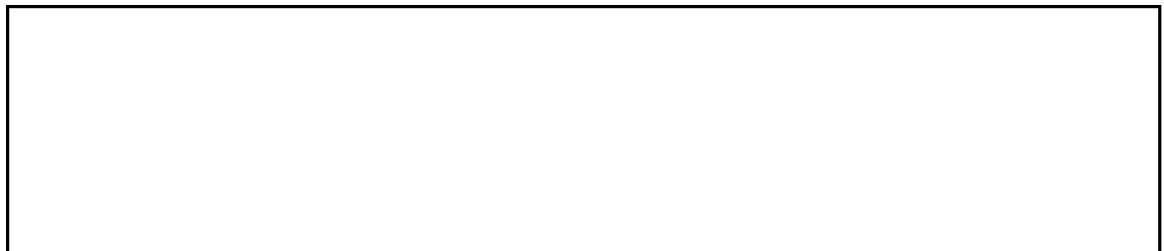


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3. As for the US-EC declaration, the Europeans are trying to meet the US request for a shorter, less legalistic, and more inspiring document.

IV. The energy crisis has surfaced conflicting impulses from the Europeans.

- A. They are scrambling for bilateral deals with the oil producers that will assure future supplies.



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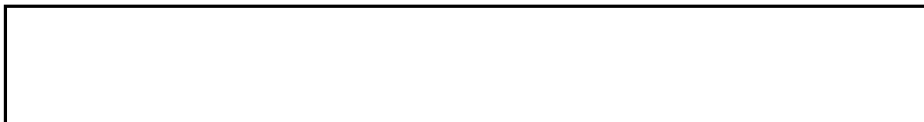
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1. The French, in particular, will nevertheless want to minimize US leadership of such efforts, and assure an eventual role for Europe vis-a-vis the producers.
- C. The Europeans will want to take a new look at the coming trade and monetary negotiations.
 1. The trade talks may be threatened by an increase in protectionist sentiment-- arising from balance of payments pressures attributable to the rising costs of oil.
 - a. There may also be sentiment, however, for focusing on world-wide commodity agreements to restrain the future use of raw material supplies to achieve political goals.
 2. Progress toward US-European agreement on overall international monetary reform will be delayed further by the financial effects of the energy crunch.
 - a. But there will be increased incentive

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for international cooperation to handle the balance of payments pressures on all the industrialized countries.

V. While these complicated issues are under discussion, Atlantic ties are being tested on several other fronts as well.

A. The Jackson-Nunn amendment has heightened concern about US troop withdrawals, but nevertheless the outlook for multilateral burdensharing is not good.

1. The Europeans believe that US forces in Europe help the US as much as Europe. In any case, they claim they cannot satisfy US burdensharing requirements.

a. They argue that, given the new strength of the dollar and their own deteriorating balance of payments positions, they will find it difficult to sustain even current defense expenditures.

B. At the Geneva European security conference the Allies want the US to be more forceful in seeking concessions from the Soviet Union, particularly on the key issue of freer communication

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between East and West.

- C. In the Vienna force-reduction negotiations the Allies maintained a united front during the first round, but West European skepticism about the venture has increased.
 - 1. Many Europeans once viewed the negotiations as a good opportunity to reduce their own forces, but now most are concerned that the negotiations could constrain future European cooperation on defense.
 - 2. The Soviets interest in cutting West German forces has made even the detente-minded Germans more cautious about the extent to which West European forces should be included in the reductions.
 - 3. Given these concerns, the Europeans can be expected to favor a go-slow approach to the negotiations.
- VI. US relations with Europe are also troubled by the very difficult problem of finding a valid interlocutor.
 - A. The European system suffers from an inadequate

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institutional basis--despite the determination of the Community to increase coordination of foreign policies on such matters as Atlantic relations, the Middle East, and East-West detente. Consequently "European" positions are often the lowest common denominator of the various national positions.

- B. Furthermore, many of the European governments are in poor health politically.
1. Germany, which will chair the EC's institutions during the next six months, hopes to get things moving, but recently the steam seems to have gone out of Willy Brandt's government.
 2. France's political malaise reflects a struggle among forces already contesting Pompidou's successorship, and decisive decisions are few and far between.
 3. The British government is fighting to reassert control over a potentially critical economic and social situation, and must continue to cope with considerable anti-EC sentiment among the voters.

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4. Italy's coalition government system is perpetually fragile. The present government is more preoccupied with domestic issues than with Europe, but seems unable to move effectively in either the foreign or domestic spheres.

D. Despite the shortcomings of the major West European governments, and the ineffectiveness of the EC as an agent of unified action, there is strong sentiment in Europe for unity.

1. As we see the situation, the problems in US-European relations--complicated enough in themselves--will be compounded by the question of whether "Europe" will speak and act as a community, or as individual nation states, on any given issue.

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19 January 1974

DCI CONGRESSIONAL BRIEFING

INDOCHINA

Vietnam

- I. Turning to Indochina, Mr. Chairman, we see that the war in South Vietnam still sputters a year after the Paris accord was signed.
 - A. It is worth noting, however, that the level of fighting has dropped since the signing of the accord.
 1. Casualties in the last year, for example, while still high, were down significantly compared with the previous year.
 - a. On the Communist side, they declined from over 160,000 to about 41,000.
 - b. Government losses dropped from 36,000 killed to around 15,000.
 - B. Significant fighting continues, however, and engagements are sometimes intense.
 1. Two of the peak periods last year were just after the cease-fire was signed on January 28th, and just before the second agreement on June 15th that tightened it up.

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2. In both periods, the fighting resulted largely from last-minute Communist efforts to grab additional territory that they hoped to keep permanently if the cease-fire proved effective.
 3. In most cases, however, the South Vietnamese were able to push the Communists back, and Saigon probably controls more territory today than it did a year ago.
- C. The larger battles have been fought primarily over remote government outposts in areas the Communist use for supply movements.
- II. The question remains whether the North Vietnamese will launch a major offensive in the current dry season, which ends in May.
- A. Hanoi's intention to gain control of the South, by military force if necessary, remains unchanged.
 - B. Late last year we concluded, after a thorough examination, that it was a close choice whether an offensive would occur this dry season.
 - C. Since then, although analysts still differ, there is general agreement that the chances of an offensive have declined.

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- D. Our evidence over the past several months has had many conflicting strands.
1. On the one hand, Hanoi has moved large quantities of war materiel into South Vietnam. It also has more troops in the South than it did at the start of the 1972 offensive.
 2. On the other hand, infiltration of replacements for anticipated losses, which in previous years has been one of our most dependable indicators of Communist intentions--has been less this dry season than we might have expected.
 - a. So far only about 22,000 regular combat troops have set out for South Vietnam--mostly for the central highlands and the southern part of the country.
 - b. Infiltration rates have fluctuated greatly in earlier years, but they have not been this low at a comparable point in the dry season for at least five years.
 - c. Moreover, it appears that the military conscription effort in the North was smaller in 1973.

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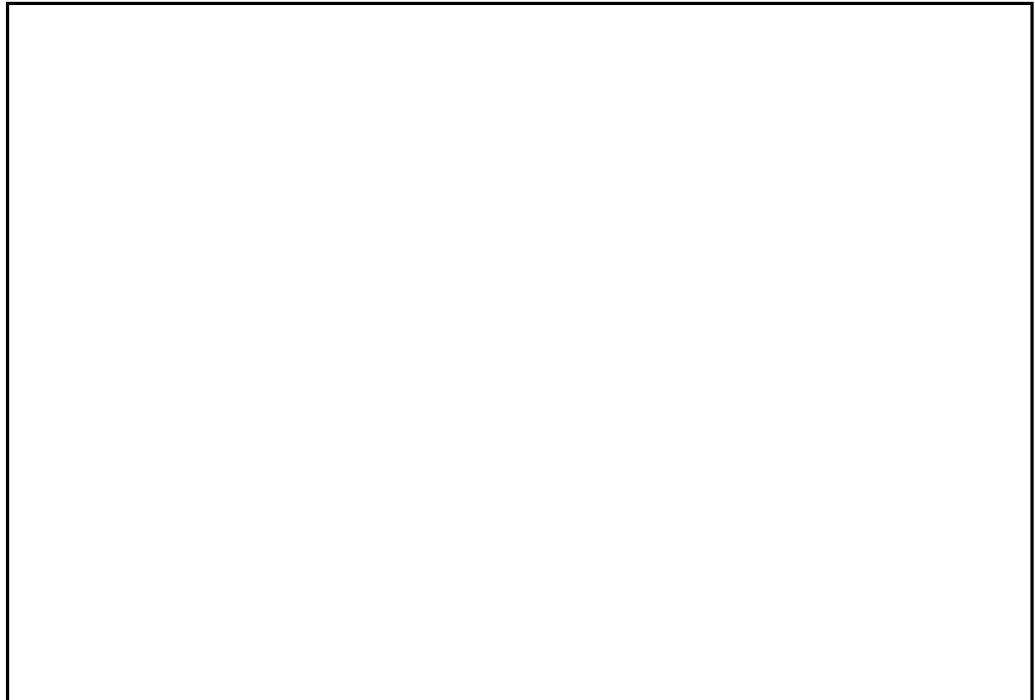
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- d. Hanoi could still move enough troops south to sustain an offensive this dry season. In fact, since the first of the year troops have been moving through the infiltration system at a fairly brisk pace--approaching 500 men a day.
3. Inside South Vietnam, Communist briefers have recently asserted that no offensive is planned.



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III. The level of fighting is likely to increase as both sides probe for weaknesses along the ill-defined lines that separate them.

- A. The danger of heavy combat is greatest in the far north of the country where the Communist forces

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are strongest, and in the central provinces where they are seeking better access to populated areas.

- B. For its part, the government is thinking of recapturing land lost in the western border regions last year. The Communists are sure to resist especially at strategic locations and along key transport routes.

IV. Talks on a political settlement between the Thieu government and the Viet Cong have made little headway.

- A. Both sides have been mainly concerned with gaining propaganda advantage, and have shown little inclination to compromise their positions.

V. The Thieu government has improved its position vis-a-vis its Communist and non-Communist opponents during the past year.

- A. Senate elections last summer gave Thieu firm control over both houses of the legislature for the first time.
- B. The President has continued to develop his Democracy Party to strengthen his political apparatus throughout the country.

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- C. A presidential decree on political parties early last year has served to further weaken the already factionalized opposition parties.
- D. The opposition has been unable to do much more than complain loudly about three constitutional amendments enacted last week. These will permit Thieu to run for a third term, and strengthen the powers of the presidency.
- E. The government is implementing a broad program of administrative reforms to improve its performance and standing in rural areas, although the program is behind schedule and its scope has been reduced.

VI. The most serious problem is in the country's economy.

- A. South Vietnam still depends heavily on foreign economic aid, although it has been trying to diversify its sources of aid through agreements with countries such as Japan and France.
- B. Inflation is a chronic problem, and prices rose some 67 percent last year.
- C. The government, however, staved off the

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most severe threat of serious rice shortages
late last year.

Cambodia

VII. In Cambodia, the Khmer Communists continue to threaten the Lon Nol government's survival. They are now in the first phases of their dry season offensive.

A. Fighting has centered in the immediate Phnom Penh area, particularly against the capital's north-western defenses.

1. Government forces have contained this effort, but the city and its airport still get sporadic rocket and mortar fire.

B. The Communists, meanwhile, are preparing for a major move against Phnom Penh's southern defenses.

1. They are planning coordinated attacks along a ten-mile front below the city.

2. The Communists' deadline for these attacks has already slipped, however.

3. Many Communist units in this sector have had serious manpower problems, and have suffered from supply shortages.

4. The Cambodian Army is shoring up its southern defenses in anticipation of the Communist attacks.

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C. In the countryside, the Communists' strategy of cutting off Phnom Penh's overland supply lines has had considerable success.

VIII. The Communists' dry season combat capabilities have been improved by a recent substantial delivery of Vietnamese Communist military equipment.

A. Hanoi is giving the insurgents 900 tons of arms, ammunition, and other equipment, plus 296 trucks, in exchange for 5,000 tons of rice.

B. The evidence suggests that the equipment is the bulk of North Vietnam's contribution to the Khmer Communists for this dry season.

1. Hanoi may judge that this level of support is enough to retain its leverage with the insurgents--but not enough for a decided military edge over Phnom Penh.

Laos

IX. In Laos, the coalition government called for by the September protocol to the February 1973 peace agreement is nowhere in sight. The cease-fire, however, is holding remarkably well.

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- A. Prime Minister Souvanna is doing all he can to get negotiations on track.
 - 1. He has been communicating with his half-brother, Lao Communist leader Prince Souphanovong, and trying to get the Pathet Lao to negotiate seriously.
 - 2. He believes, however, that Hanoi will keep the Pathet Lao from negotiating seriously until the end of the current dry season, because of the importance of the Ho Chi Minh trail supply network in support of Communist military activities in South Vietnam and Cambodia.
- B. The delay in formation of the new government has produced growing frustration and uneasiness on both sides.
 - 1. Coup rumblings allegedly involving disgruntled conservatives have been making the rounds in Vientiane, but there is no hard evidence that any serious plotting is underway.
- C. Hanoi has withdrawn some of its forces since the cease-fire went into effect.

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1. As many as three North Vietnamese combat regiments have redeployed from southern Laos--at least one back to North Vietnam. There are indications that additional redeployments may soon occur.
 2. More recently, the first significant withdrawals of North Vietnamese combat units from northern Laos were detected. Major elements of the North Vietnamese 316th Division returned to the fatherland in December.
 3. However, an estimated 62,000 North Vietnamese troops are still in Laos--33,000 in combat units, and another 29,000 in logistic and administrative outfits.
- D. The Chinese have also begun to scale down their military presence in northern Laos.
1. During the past two month, virtually all of their air defense troops have returned to China, and there are preparations for the withdrawal of the two infantry regiments which have provided ground security for Chinese roadbuilders.

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Thailand

- X. Although Thailand, strictly speaking, is not part of Indochina, I would like to touch on recent developments in that country.
 - A. Prime Minister Sanya's new civilian government has made slow but steady progress toward constitutional government since the student uprising ousted the Thanom-Praphat military regime last October.
 - 1. A constitutional drafting committee was quickly formed, and the government apparently intends to live up to promises of early promulgation.
 - 2. The King's appointment last month of a broadly based interim assembly promises to broaden popular participation in the emerging civilian political system.
 - B. The King's unprecedented emergence into the political arena is a salient feature of the new situation.
 - 1. His immense prestige will help the still somewhat timorous civilian administration in guiding Thailand toward a more democratic system of government.

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- C. The military appears resigned to a diminished role, and has shown a willingness to give the new government time to prove itself.
- D. Preoccupation with domestic problems has caused Bangkok to limit its foreign policy initiatives to the resumption of a dialogue with China. Bangkok is heartened by a friendly Chinese attitude, but still seems inclined to defer diplomatic relations.

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18 January 1974

DCI CONGRESSIONAL BRIEFING

A GLANCE AT LATIN AMERICA

I. I would like to conclude this prepared statement with a short overview of Latin America, covering the relations of these countries with the US as a group. Then, very briefly, I will discuss developments in a few of the countries.

A. During the question period this afternoon, I will be glad to return to these countries in more detail, or look at others not mentioned this morning.

II. Latin Americans hope that regional relations with the US, in their view far from fruitful over the last few years, are about to improve. In general, they have felt excluded from the range of US interests.

A. Secretary Kissinger's offer to meet with their foreign ministers is guardedly interpreted as a signal that the US is now ready to give serious attention to hemispheric concerns.

B. The Latin Americans regard their "Document of Bogota"--hammered out last November for the

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meeting with Secretary Kissinger--as a useful contribution toward a constructive dialogue.

(It did produce an unusual consensus for a responsible position paper.)

- C. Opportunities for a sustained exchange are seen in the February conference with Kissinger, a possible Kissinger follow-up trip through Latin America, and the meeting of the OAS General Assembly in Atlanta in April.

III. Most of the larger, more important nations are primarily interested in bilateral relations with the US, and in some cases relations have, in fact, improved during the past year.

- A. Chile's strongly antagonistic stance has changed under the military junta that overturned Allende.
- B. The long controversy with Mexico over the salinity of the Colorado River was settled last summer.
- C. Prospects for a new Canal treaty have toned down the anti-US rhetoric from Panama.
- D. Serious problems remain to be solved, however, involving such matters as protection of US investments, territorial seas issues, including fishing rights, and narcotics enforcement.

Chile

IV. In Chile, the armed forces and police have been consolidating their hold since seizing power last September. The government is dealing sternly with those who oppose it. Supporters of the late President Allende are reorganizing, but resistance to the new government has been limited to sporadic acts of sabotage and scattered attacks on security forces.

- A. There have been some signs of minor friction among the junta members, but junta President Pinochet appears firmly installed as "first among equals."
- B. Personal conflicts and different opinions on how to reach vaguely defined goals have begun to surface at lower levels of the regime, but we do not expect to see serious rifts.
- C. Considerable progress has been made toward restoring economic order and returning the country to a market economy.
 - 1. Several hundred private businesses are being returned to their owners. Of the 45 US firms expropriated by Allende, 12 have been returned.
- D. The economic recovery program has been harshly austere and the burden is being borne primarily

by the poor and the lower middle class.

1. Food prices have risen by 200 to 400 percent since the coup.

E. The government recognizes that resentment of its economic policies could build to the point of precipitating worker protests.

1. Wage increases of 60 percent effective this month will bring some relief, even though they fall far short of the rise in living costs.

Mexico

V. In Mexico President Echeverria is now at mid-point in his six-year term. During the past several months he had to face bitter criticism from the business community, and an upsurge in urban guerrilla violence. Both have subsided in recent weeks.

A. It is clear, however, that the important and influential business sector is still discontented, and suspicious of Echeverria because of increasing terrorism and some government policies considered inimical to business interests.

B. More kidnappings, killings, and other acts of violence by guerrilla groups are likely and they will continue to cause embarrassment

to the Mexican government.

- C. There are still enormous problems of poverty and uneven development, aggravated by rapid population growth. Any substantial reduction of poverty will take decades, perhaps generations.
- D. Of more immediate concern is increasing inflation. The cost of living in Mexico City rose 21 percent during the first 10 months of 1973. A campaign to do something about this began in September, but has made little progress.
- E. Good relations with the United States are still of paramount importance. Close to 70 percent of Mexico's exports go to the United States, and this dependence is likely to continue despite efforts to diversify the export market.
 - 1. Recent foreign investment laws potentially expand government control over foreign business. Echeverria gives every indication, however, that enforcement will be moderate and that foreign investment will be welcome as long as it is channeled into areas where development is most needed.

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Panama

VI. Panama's General Torrijos is pleased over progress being made toward solving his most pressing problem--the canal issue. He considered Ambassador Bunker's designation as negotiator to be a sign of US seriousness.

A. He believes a new canal treaty would have broad benefits, beyond assuring him a high place in the list of national heroes.

1. Increased revenues from the canal would provide funds for domestic reform programs, and make it easier to service the foreign debt.

B. Ambassador Bunker's visits in November 1973 and this January produced an agreement on eight broad negotiating principles, and signs that the Panamanians may moderate some of their previous demands when detailed negotiations begin.

C. The central Panamanian goal of early and full sovereignty over the canal is unlikely to change, however. Torrijos' nationalism and his concern about signing a treaty which his critics could label a "sellout" are likely to remain the biggest obstacles.

Argentina

VII. In Argentina, Peron's return to power has by no means brought renewed stability.

- A. Terrorism, particularly as directed at foreign businessmen, impedes efforts to revive the economy.
- B. Deep rifts in Peron's own disparate movement show no signs of healing.
- C. Above all, there is uncertainty over how long his health will permit him to lead the country. Now 78, he was seriously ill in November, and has a number of chronic ailments.

Brazil

VIII. In Brazil, the military leaders are maintaining a stable security situation and the country's economy continues to grow.

- A. Urban terrorists have been routed, and potential political opponents are generally apathetic.
- B. The economy has been growing by about 10 percent a year, and inflation kept down to about 15 percent-- low for Brazil and for much of Latin America.
- C. President Medici will be succeeded in office by General Geisel on March 15, but we anticipate no significant policy changes.

Peru

- IX. With Allende gone from Chile, Peru's military government is the most radical in South America.
- A. Under Moscow's first arms agreement in the hemisphere (except for Cuba), Peru received some Soviet medium tanks last November.
1. The Peruvians are interested in getting other military equipment from Moscow, but President Velasco apparently wants to keep open the Washington option.
- B. Contention could grow over the succession to Velasco, who was seriously ill last year.
1. The more radical officers are apprehensive over the rise of the moderate former finance minister General Morales Bermudez, who is designated to become prime minister at the end of this year.